



Department of Justice

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JUSTICE DEPARTMENT SUES PREPARER OF BOGUS TAX REFUND CLAIMS

One Refund Claim Exceeded \$7 Million

WASHINGTON, D.C. – The Justice Department filed suit in federal court in Tampa today seeking to stop a Florida man, Douglas P. Rosile, Sr., from promoting a tax refund scheme that allegedly has been used to under-report tens of millions of dollars of tax liability for nearly 200 clients in 32 states. The civil suit, filed in the U.S. District Court for the Middle District of Florida, alleges that Rosile's licenses to practice as a certified public accountant were revoked by Florida and Ohio.

The complaint alleges that all the bogus refund claims prepared by Rosile were based on the erroneous assertion that only income from foreign sources is subject to U.S. income tax. According to the complaint filed today, the "foreign sources" argument Rosile uses is based on an absurd misreading of Section 861 of the Internal Revenue Code. A federal appellate court recently upheld a \$25,000 penalty against a taxpayer who asserted the argument before the U.S. Tax Court. The government brought injunction suits against three other promoters of the Section 861 scheme last November. In one of those cases, a federal court on January 29, 2002 enjoined Harold Hearn, an Atlanta accountant, from continuing to assert the argument. Two other cases—in federal courts in Florida and Pennsylvania—are pending.

"The argument that only foreign sources of income are subject to income tax has been rejected out of hand by every judge who has examined it," said Eileen J. O'Connor, Assistant Attorney General in charge of the Justice Department's Tax Division. "Taxpayers who participate in this and other patently frivolous schemes risk substantial civil and criminal

penalties. The Justice Department is committed to stopping abusive promoters who seek to bilk the U.S. Treasury."

The government complaint states that Rosile's bogus claims, had the IRS not detected them, would have resulted in a loss of over \$36 million to the Treasury. The complaint refers to one refund claim for \$7.3 million. In its complaint, the Government asks the court to order Rosile to turn over his clients' identities and all related records.

People hearing about tax benefits that sound "too good to be true" should check them out with a trusted tax professional or the IRS. Anyone with information about suspected tax fraud should report it to the IRS tip line at 1-800-829-0433.

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